

# 1999 Corporate Estimated Tax Payment

## Arizona Form 120ES

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix	(602)
255-3381	
Nationwide, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at:

[www.revenue.state.az.us](http://www.revenue.state.az.us)

### General Instructions

#### Who Should Use Form 120ES

This form should be used by entities filing Forms 99T, 120, and 120S that are required to make Arizona estimated tax payments.

S corporations and partnerships must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Arizona Form 140NR.

Effective for taxable years beginning on or after January 1, 1997, taxpayers whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via the electronic funds transfer program. If the taxpayer makes its estimated tax payments by electronic funds transfer (EFT), the taxpayer should not submit the Arizona Form 120ES to the department.

Taxpayers required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction. Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

Obtain additional information concerning the Arizona electronic funds transfer program by contacting the EFT

Helpline at (800) 572-7037 (nationwide toll-free) or at (602) 542-2040 in Phoenix. The FAX line is (602) 542-4667.

#### Who Is Required To Make Arizona Estimated Tax Payments

Corporations that expect an Arizona tax liability for the taxable year of at least \$1,000 are required to make Arizona estimated tax payments.

A unitary group of corporations filing a combined return on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

#### When To Make Arizona Estimated Tax Payments

Calendar year and fiscal year taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

#### Underpayment of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, penalty and interest will be imposed on any required installment that is late or underpaid.

#### Amended Estimated Tax

If the taxpayer, after paying one or more installments of estimated tax, finds that the continuation of the same pattern of payment will result in paying more or less estimated tax than is actually required, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to penalty and interest for underpayment of estimated tax. If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted.

An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

#### Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

## Line-by-Line Instructions

### Form 120ES Worksheet Instructions

All taxpayers who are required to make estimated tax payments should use the worksheet to compute the required annual payment of estimated tax and the required installments.

#### Line 1 - Arizona Tax Liability

This amount is the taxpayer's estimated tax liability for the current taxable year. The Arizona tax liability is determined as follows: (a) Forms 120 and 120S filers - income tax plus tax from recapture of tax credits less tax credits plus correctional industries recapture tax; or (b) Form 99T filers - income tax. A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**NOTE FOR FORM 120 FILERS:** *Taxpayers who made a retroactive election to file on a consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability, whichever is less.*

#### Line 2 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of:

1. *All taxpayers* - Ninety percent of the taxpayer's Arizona tax liability for the current taxable year; **or**
2. *Forms 99T and 120 filers* - one hundred percent of the taxpayer's Arizona tax liability for the prior taxable year.

*Form 120S filers* - an amount equal to the sum of: (a) ninety per cent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; and (b) one hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *Forms 99T and 120 filers must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)*

*Form 120S filers may not use one hundred percent of the prior taxable year's tax liability. In addition, Form 120S filers must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (2)*

*above. (See instructions for line 2c.)*

#### Line 2a - (Forms 99T, 120, and 120S filers)

Multiply line 1 by 90%. Enter the result on line 2a.

#### Line 2b - (Forms 99T and 120 filers)

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year - 1998 Form 120, line 23; 1998 Form 99T, line 4. Enter this amount on line 2b.

Do not complete this line, if: (1) a return was not filed for the 1998 taxable year showing at least some amount of tax liability (an amount greater than zero); or (2) the 1998 taxable year was a period of less than twelve months. Skip line 2b and enter the amount from line 2a on line 2d.

#### Line 2c - (Form 120S filers)

Enter an amount on line 2c that is the sum of:

- Ninety percent of the portion of the 1999 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; plus
- One hundred percent of the portion of the 1998 Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *The requirement that the 1998 tax return show a liability for tax related to excess net passive income does not apply.*

Do not complete this line if the 1998 taxable year was a period of less than twelve months. Skip line 2c and enter the amount from line 2a on line 2d.

#### Line 2d - (Forms 99T, 120, and 120S filers)

*Forms 99T and 120 filers:* Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

*Form 120S filers:* Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

#### Line 3 - Installment Due Dates

*Calendar year taxpayers:* Enter 4/15/99, 6/15/99, 9/15/99, and 12/15/99, respectively, in columns (a) through (d).

*Fiscal year taxpayers:* Enter the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year in columns (a) through (d). If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

**NOTE:** *For short period returns, enter the installment due dates and number of installments required by the Internal Revenue Service.*

#### Line 4 - Required Installments

When making estimated tax payments, be sure to take into

account any 1998 overpayment that the taxpayer chose to credit against its 1999 Arizona tax liability.

### Line 4a - Annualized Income Installment or Adjusted Seasonal Installment Method

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

In order to use one or both of these methods to calculate one or more required installments, use Schedule A. If Schedule A is used for any payment date, it must be used for all payment due dates. Use Schedule A to arrive at the amount of each required installment, and to select the smallest of: (a) the annualized income installment; (b) the adjusted seasonal installment (if applicable); or (c) the regular installment (25% of the required annual payment) increased by any reduction recapture under IRC § 6655(e)(1)(B).

### Line 4b - Large Corporations (Form 120 filers)

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 is treated as a single corporation for purposes of applying the large corporation definition.

If the annualized income installment method or the adjusted seasonal installment method is not used, follow the instructions below to compute the amounts to enter on line 4.

**NOTE:** *If the annualized income installment method and/or the adjusted seasonal installment method are used, these instructions apply to line 42 of Schedule A.*

If line 2a is **less than** line 2b:

- Enter 25 percent of line 2a in columns (a) through (d) of line 4.

If line 2b is **less than** line 2a:

- Enter 25 percent of line 2b in column (a) of line 4.
- Determine the amount to enter in column (b) as follows:
  - Subtract line 2b from line 2a,
  - Add the result to the amount on line 2a, and
  - Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d).

### Schedule A Instructions

If only the annualized income installment method (Part I) is used, complete Parts I and III of Schedule A. If only the adjusted seasonal installment method (Part II) is used,

complete Parts II and III of Schedule A. If both methods are used, complete all three parts of Schedule A. Enter in each column of line 4 of the Form 120ES Worksheet the amounts from the corresponding column of line 46 of Schedule A.

**CAUTION:** *If Schedule A is used, do not attempt to compute any required installment until after the end of the month preceding the due date for that installment.*

### Part I - Annualized Income Installment Method

#### Line 1 - Annualization Periods

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Form 120 filers and Form 120S filers				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Form 99T filers				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

#### Line 3 - Annualization Amounts

Enter the annualization amounts for the option used on line 1 above.

Form 120 filers and Form 120S filers				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

<b>Form 99T filers</b>				
	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

**Line 5 - Calculate the Tax**

Calculate the tax on the amount in each column using the instructions for Form 99T, line 4; or Form 120, line 16; or Form 120S, line 12.

**Line 6 - Recapture of Tax Credits**

Enter the tax from the recapture of the environmental technology facility credit and/or the recycling equipment credit. Calculate this amount using the instructions for Form 120, line 17, or Form 120S, line 13. Form 99T filers, enter zero.

**Line 8 - Tax Credits**

Enter the tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for Form 120, line 19, or Form 120S, line 15. Form 99T filers, enter zero.

**Line 10 - Correctional Industries Recapture Tax**

Enter the amount of the correctional industries recapture tax, if applicable. Refer to the instructions for Form 120, line 22, or Form 120S, line 18. Form 99T filers, enter zero.

**Line 11 - Total Arizona Tax Liability**

**NOTE FOR FORM 120 FILERS:** *Taxpayers who made a retroactive election to file on a consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability, whichever is less.*

**Line 14 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 14 in columns (b) through (d), complete line 15; Part II (if applicable); and lines 41 through 46, in each of the preceding columns.

EXAMPLE: Complete line 15, lines 16 through 40 (if using the adjusted seasonal installment method), and lines 41 through 46, in column (a) before completing line 14 in column (b).

**Part II - Adjusted Seasonal Installment Method**

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 per cent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six consecutive month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

**Line 25 - Calculate the Tax**

Calculate the tax on the amount in each column using the instructions for Form 99T, line 4; or Form 120, line 16; or Form 120S, line 12.

**Line 32 - Recapture of Tax Credits**

Calculate the tax from the recapture of the environmental technology facility credit and/or the recycling equipment credit. Use the instructions for Form 120, line 17, or Form 120S, line 13. Form 99T filers, enter zero.

**Line 34 - Tax Credits**

Enter the tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 16. Calculate this amount using the instructions for Form 120, line 19, or Form 120S, line 15. Form 99T filers, enter zero.

**Line 36 - Correctional Industries Recapture Tax**

Enter the amount of the correctional industries recapture tax, if applicable. Refer to the instructions for Form 120, line 22, or Form 120S, line 18. Form 99T filers, enter zero.

**Line 37 - Total Arizona Tax Liability**

**NOTE FOR FORM 120 FILERS:** *Taxpayers who made a retroactive election to file on a consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability, whichever is less.*

**Line 39 - Cumulative Installments**

Complete column (a) before completing columns (b) through (d). Before completing line 39 in columns (b) through (d), complete lines 40 through 46 in each of the preceding columns.

EXAMPLE: Complete lines 40 through 46 in column (a) before completing line 39 in column (b).